

Program Term Sheet



FHA/HUD Section 221 (d)(3) and 221(d)(4):

Construction or Substantial Rehabilitation of Multifamily Properties

Mortgages financed under Section 221(d)(4) of the National Housing Act are insured by the Federal Housing Administration (FHA) to facilitate the new construction or substantial rehabilitation of multifamily rental housing.

PARAMETERS	REQUIREMENTS	
Eligible Properties	Market rate, low-to-moderate income and subsidized multifamily properties. Independent living facilities may qualify as long as all services are optional and fees from services and meals are not included in underwritten rents.	
Loan Purpose	<p>New construction or substantial rehabilitation. For-profit or nonprofit borrowers may utilize this program. Section 221(d)(3) used by nonprofit borrowers only. Section 221(d)(4) used by both for-profit and nonprofit.</p> <p>Substantial Rehabilitation defined as:</p> <ul style="list-style-type: none"> Cost of improvements more than higher of: <ul style="list-style-type: none"> 15% of post-rehabilitated appraised value, or \$6,500 per unit adjusted for local high cost factor, or Replacement of two or more major building components 	
Loan Parameters	<p>New Construction</p> <p>Maximum loan will be the lesser of:</p> <ul style="list-style-type: none"> Loan to eligible cost or NOI: <ul style="list-style-type: none"> 83.3% for market rate transactions; 87% for affordable transactions; and 90% for projects with 90% or greater rental assistance FHA mortgage statutory per unit limits adjusted for local high cost factor, or An amount that achieves a minimum debt service coverage, as follows: <ul style="list-style-type: none"> 1.20 DSC for market rate properties; 1.15 DSC for affordable transactions; and 1.11 DSC for projects with 90% or greater rental assistance 	<p>Substantial Rehabilitation</p> <p>Maximum loan will be the lesser of:</p> <ul style="list-style-type: none"> Loan to eligible rehab costs : <ul style="list-style-type: none"> 83.3% for market rate transactions; 87% for affordable transactions; and 90% for projects with 90% or greater rental assistance FHA mortgage statutory per unit limits adjusted for local high cost factor, or An amount that achieves a minimum debt service coverage, as follows: <ul style="list-style-type: none"> 1.20 DSC for market rate properties; 1.15 DSC for affordable transactions; and 1.11 DSC for projects with 90% or greater rental assistance
Term and Amortization	Actual construction period plus 40 years (fully amortizing with interest only payable during construction period)	
Borrower	Single asset entity	
Recourse	Non-recourse	

PARAMETERS	REQUIREMENTS			
Interest Rate	Fixed for term of loan, including construction period, determined by market conditions at time of rate lock.			
Prepayment and Assumption	Negotiable; typically includes a lockout followed by a declining percentage prepayment penalty. Loan is fully assumable subject to HUD approval.			
Davis Bacon Wages	Payment of prevailing wages is required by HUD; wages are determined by the Department of Labor.			
Mortgage Insurance Premium	Payable at Closing for each year of construction at the following rates: <ul style="list-style-type: none"> • 0.60% times outstanding balance for market rate projects • 0.45% times outstanding balance for affordable and subsidized projects Following construction, MIP is due annually, collected monthly, at the applicable rate.			
Third Party Reports	Including, but not limited to: Appraisal, Market Study, Environmental, Radon, Construction Cost Review, and Plans and Specs Review, as required.			
Fees and Expenses	<ul style="list-style-type: none"> • Processing Fee to cover third party reports, lender processing and other application materials due at engagement • FHA Exam Fee of 0.15% of the mortgage amount due with submission of pre-application and 0.15% due with submission of firm application • FHA Inspection Fee of 0.5% of the mortgage amount for new construction and 0.5% of improvement costs for substantial rehabilitation • FHA Mortgage Insurance Premium due at closing: <ul style="list-style-type: none"> ○ 0.60 % times loan amount for market rate projects ○ 0.45% times loan amount for affordable and subsidized projects Post construction, MIP is due annually, collected monthly, at the applicable rate <ul style="list-style-type: none"> • Financing fee payable at closing • Good Faith Deposit due at Note rate lock 			
Escrows	<ul style="list-style-type: none"> • Replacement reserves required in accordance with HUD guidelines • Taxes and Insurance escrowed monthly (post construction) • Working Capital Reserve equal to 4% of loan amount (post in cash or LOC) • Operating Deficit Reserve equal to 3% of loan amount, or greater as determined by HUD at commitment (post in cash or LOC) 			
2014 Non-Elevator Building Cost Limits	Bedroom Size	Base Cap per Unit	MN HCA %	MN Cost per Unit Cap
	0	\$48,946	270%	\$132,154
	1	\$55,560	270%	\$150,012
	2	\$67,158	270%	\$181,327
	3	\$84,295	270%	\$227,597
	4+	\$95,521	270%	\$257,907
2014 Elevator Building Cost Limits	Bedroom Size	Base Cap per Unit	MN HCA %	MN Cost per Unit Cap
	0	\$52,871	270%	\$142,752
	1	\$60,610	270%	\$163,647
	2	\$73,702	270%	\$198,995
	3	\$95,345	270%	\$257,432
	4+	\$104,661	270%	\$282,585